



# **SOUTH MALAYSIA INDUSTRIES BERHAD**

Co. No. 196901000152 (8482-D)

## **REMUNERATION POLICY FOR DIRECTORS AND SENIOR MANAGEMENT**

# REMUNERATION POLICY

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### INTRODUCTION

South Malaysia Industries Berhad and its subsidiaries (“SMI” or the “Group”) has established a remuneration policy for Directors and Senior Management to attract, retain, motivate and reward talented individuals to drive and pursue long term business strategies of the Group.

### REMUNERATION POLICY & PROCEDURE

#### Executive Board

The remuneration package for Executive Board comprises two main components, namely salary package and employment benefits. Employment benefits which are stated in the Group’s Human Resource Office Policy Manual. The remuneration for the Executive Board is made up of fixed remuneration that is paid monthly (basic salary) and performance based remuneration.

The fixed remuneration and performance based remuneration are reviewed by the Remuneration Committee and thereafter approved by the Board upon recommendation being made by the Remuneration Committee. In determining the remuneration, consideration is given to:

- The knowledge, skills and past experience of the individual;
- The scope of duties and responsibilities of the individual;
- The market rate within the industry and in comparable companies;
- The prevailing financial position of the Group; and
- The Group’s performance in managing material sustainability matters in relation to business segments.

In determining the performance based remuneration, consideration is given to:

- The individual performance and the Group’s achievement of its strategic targets (both financial and non-financial targets) set at the commencement of the year;
- The prevailing market practice and market benchmark;
- General economic situation; and
- The prevailing financial condition of the Group.

#### Non-Executive Director (NED)

The remuneration of a non-executive Director is guided by the following principles:

- Fees payable shall be by a fixed sum;
- Meeting allowance shall be paid on a per-day basis;
- The Chairperson of the Board and Audit Committee shall be remunerated with a higher retainer fee to reflect the additional responsibilities assumed by him or her;
- Periodic benchmarking of remuneration shall be undertaken to ascertain the competitiveness of the fees against other comparable companies which are in similar industry or with similar size;
- Shares or options are not offered to Independent Non-Executive Director (“INED”). If exceptionally granted, the quantum granted shall not amount to the extent that it would result in the INED becoming a major shareholder; and
- The package should not be in conflict with the obligations in being objective and independent on matters discussed.

## Senior Management

### **Senior Management shall mean the direct reports of the Executive Director.**

The remuneration package for Senior Management comprises two main components, namely salary package and employment benefits. Employment benefits which are stated in the Group’s Human Resource Office Policy Manual. The remuneration for Senior Management is made up of fixed remuneration that is paid monthly (basic salary) and performance based remuneration.

In determining the remuneration, consideration is given to:

- The experience of the individual, nature of position, complexity and the expectation of the position;
- The scope of duties and responsibilities of the individual; and
- The market rate within the industry and in comparable companies.

Performance based payment is awarded on a discretionary basis to motivate and reward high performers. In determining the performance based payment, consideration is given to:

- The individual achievement of his/her Key Performance Index (KPI) and the Group’s overall achievement in its strategic targets (both financial and non-financial targets), set at the beginning of the year;
- The prevailing market practice and market benchmark;
- General economic situation; and
- The prevailing financial condition of the Group.

The remuneration package for Senior Management is determined by Executive Director and to be reviewed by the Remuneration Committee before obtaining approval from the Board.

## **PROCEDURE**

The fees and meeting allowances for Non-Executive Directors shall be proposed by the Remuneration Committee for the Board's approval and subsequently to obtain shareholders' approval at the General Meeting [Section 230 (1) of Companies Act 2016 and paragraph 7.24 of Listing Requirements].

Non-Executive Directors who are shareholders shall abstain from voting at the General Meeting of SMI to approve their fees [Guidance to practice 6.2 of MCCG].

The remuneration and performance based payment and other employment conditions for Senior Management ("**Remuneration Package**") are to be evaluated by the Executive Director; whilst for Executive Director, it is reviewed by the Remuneration Committee. The rewards accorded to Executive Director and Senior Management for their achievement shall comprise annual bonus and increment to their basic salaries shall be reviewed by the Remuneration Committee and subsequently tabled to the Board for approval.

## **DISCLOSURE OF REMUNERATION**

Directors' remuneration shall be disclosed on a named and individual basis and by the exact amount, both at Company level and Group level. The remuneration breakdown shall amongst include fees, salary, bonus, benefits and other emoluments, as the case may be (paragraph 11, Appendix 9C of Listing Requirements and Practice 7.1 of MCCG). The disclosure shall also include Directors who were appointed or retired during the year.

The top five Senior Management personnel's remuneration shall be disclosed in bands of RM50,000. The top five senior management personnel would refer to the five highest paid senior Management members of the Group.

## **DIRECTORS AND OFFICERS LIABILITY INSURANCE**

Directors are accorded with Directors and Officers Liability Insurance in respect of any liability arising in the course of discharging their duties as Directors of SMI provided that such liabilities were occasioned in good faith and not as a result of negligence, default or breach of duty (Section 288 of the Companies Act, 2016).

The Directors and Officers Liability Insurance shall be borne by the Company separately and does not form part of the benefits awarded to directors as part of their remuneration packages.

## **REVIEW OF THIS POLICY**

The Remuneration Committee shall review the adequacy of this Policy on a periodic basis and may from time to time recommend proposed changes to the Board as it deems appropriate to reflect new best practices and new legal or regulatory requirements.

*Remuneration Policy*

*Reviewed by the Board on 25 August 2022*

## **DISCLOSURE OF THIS POLICY**

The Board will make appropriate disclosure in the Company's annual report of the key aspects of this Policy in line with the Malaysia Code on Corporate Governance.

The Policy Statement is published on the Company's website.